

NEW APPLICATION



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ORIGINAL

BEFORE THE ARIZONA CORPORATION COMMISSION

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COMMISSIONERS

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KRISTIN K. MAYES, Chairman
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AT CORP COMMISSION
DOCKET CONTROL

In the matter of:

DOCKET NO. S-20726A-10-0062

David E. Walsh and Lorene Walsh,
respondent and spouse, doing business as
New York Networks, Inc., a dissolved
Delaware corporation formerly known as
Jubilee Acquisition Corporation and as
Caliper Acquisition Corporation, The New
York Network, Inc., a revoked Nevada
corporation, and The New York Networks,
Inc., an entity of unknown origin,

**NOTICE OF OPPORTUNITY FOR HEARING
REGARDING PROPOSED ORDER TO
CEASE AND DESIST, FOR RESTITUTION,
FOR ADMINISTRATIVE PENALTIES AND
FOR OTHER AFFIRMATIVE ACTION**

Christopher A. Jensen and Julie Shayne
Jensen, respondent and spouse,

Arizona Corporation Commission
DOCKETED

FEB 19 2010

Rodolfo Preciado and Jane Doe Preciado
respondent and spouse,

DOCKETED BY

Respondents.

NOTICE: EACH RESPONDENT HAS 10 DAYS TO REQUEST A HEARING

EACH RESPONDENT HAS 30 DAYS TO FILE AN ANSWER

The Securities Division ("Division") of the Arizona Corporation Commission ("Commission") alleges that respondents DAVID E. WALSH individually and doing business as New York Networks, Inc., The New York Network, Inc. and The New York Networks, Inc., CHRISTOPHER A. JENSEN and RODOLFO PRECIADO have engaged in acts, practices, and transactions that constitute violations of the Securities Act of Arizona, A.R.S. § 44-1801 *et seq.* ("Securities Act").

I. JURISDICTION

1. The Commission has jurisdiction over this matter pursuant to Article XV of the Arizona Constitution and the Securities Act.

II. RESPONDENTS

2. DAVID E. WALSH ("WALSH") is a resident of Florida.

3. New York Networks, Inc., formerly known as Jubilee Acquisition Corporation and Caliper Acquisition Corporation, was formed in Delaware in or around March 1999. The entity was administratively dissolved in March 2008 for failure to pay franchise taxes.

4. On or about November 3, 2002, WALSH filed a Form 3 with the Securities and Exchange Commission on behalf of New York Networks, Inc., indicating that he was the beneficial owner of 42,795,000 shares of New York Networks, Inc. common stock and further represented that he was the Director and President of New York Networks, Inc. On or about November 5, 2002, WALSH filed a Form 13D with the Securities and Exchange Commission on behalf of New York Networks, Inc. setting forth that the 42,795,000 shares of common stock of New York Networks, Inc. had been issued to WALSH in exchange for all the outstanding shares of New York Network, Inc., a Nevada corporation owned by WALSH. Upon information and belief, the Nevada corporation referred to is The New York Network, Inc.

5. The New York Network, Inc. was formed in Nevada on or around June 2002 and its corporate status was revoked by the state of Nevada on June 30, 2008.

6. The articles of incorporation for The New York Network, Inc. indicate WALSH was the President, Director, Treasurer and Secretary.

7. At all times relevant, New York Networks, Inc. and The New York Network, Inc. were not authorized to conduct business in Arizona.

8. CHRISTOPHER A. JENSEN ("JENSEN"), at all times relevant, was a resident of California and a sales representative for New York Networks, Inc. In addition, Jensen represented to investors that he was president of Goldstake Enterprises, Inc., a Nevada corporation and a partner in Goldstake Limited Partnership, an entity based in Arizona. According to a business card provided by JENSEN to investors, Goldstake Enterprises, Inc. specializes in mergers and acquisitions.

1 9. RODOLFO PRECIADO, aka Rudy Preciado ("PRECIADO"), at all times relevant,
2 was a resident of California and a sales representative for New York Networks, Inc.

3 10. LORENE WALSH was, at all times relevant, the spouse of Respondent WALSH,
4 JULIE SHAYNE JENSEN was, at all times relevant, the spouse of Respondent JENSEN, and
5 JANE DOE PRECIADO was, at all times relevant, the spouse of Respondent PRECIADO
6 (LORENE WALSH, JULIE SHAYNE JENSEN and JANE DOE PRECIADO may be referred to
7 collectively as "Respondent Spouses"). Respondent Spouses are joined in this action under A.R.S.
8 § 44-2031(C) solely for purposes of determining the liability of the marital communities.

9 11. At all times relevant, Respondents WALSH, JENSEN and PRECIADO were acting
10 for their own benefit and for the benefit of or in furtherance of their and Respondent Spouses'
11 respective marital communities.

12 **III. FACTS**

13 12. Beginning as early as 2006, WALSH, JENSEN and PRECIADO offered and sold
14 unregistered securities in the form of common stock and common stock purchase warrants
15 ("warrants") to at least fifteen Arizona investors in an amount in excess of \$500,000.

16 13. In early September 2006, 10-15 prospective investors attended what was described
17 as an informational meeting regarding a potentially lucrative investment opportunity at the
18 Camelback Ritz-Carlton hotel in Phoenix, Arizona. During the meeting, WALSH, JENSEN and
19 PRECIADO gave a presentation regarding New York Networks, Inc. and The New York Network,
20 Inc.

21 14. WALSH, JENSEN and PRECIADO also solicited prospective investors via
22 telephone and in person at restaurants and the personal residences of investors.

23 15. Offering materials supplied to investors by WALSH, JENSEN and PRECIADO,
24 including a confidential private placement memorandum, misrepresent that The New York
25 Networks, Inc. is a Delaware corporation whose sole purpose is to acquire the assets and assume
26

1 certain liabilities of New York Networks, Inc., a Nevada corporation, and its subsidiaries, and of
2 Mad Engine Inc., a California corporation.

3 16. In fact, according to the Delaware Division of Corporations, there is no Delaware
4 corporation named The New York Networks, Inc. and New York Networks, Inc. was formed in
5 Delaware, not Nevada.

6 17. In exchange for their investment, investors were issued shares of common stock and
7 warrants. According to the stock certificates received by investors, the common stock and warrants
8 being issued are that of The New York Networks, Inc., the entity misrepresented as being
9 incorporated in Delaware. Several of the stock certificates issued to investors are signed by
10 WALSH as President.

11 18. Contrary to the assertions set forth in the offering materials supplied to investors
12 and the stock certificates issued to investors related to the identity of the entities involved,
13 WALSH, JENSEN and PRECIADO informed prospective investors that New York Networks, Inc.
14 was on the verge of acquiring the assets and assuming the liabilities of both Mad Engine, Inc., a
15 producer of T-shirts, knit tops, jackets and pajamas both for itself and private label, and The New
16 York Network, Inc. and its subsidiaries.

17 19. WALSH, JENSEN and PRECIADO assured investors that New York Networks,
18 Inc. would make a public offering of securities immediately after the acquisition of Mad Engine,
19 Inc. and The New York Network, Inc.

20 20. WALSH, JENSEN and PRECIADO represented to investors that WALSH was
21 personally involved in closing the transaction to acquire Mad Engine and The New York Network,
22 Inc. and complete the public offering of New York Networks, Inc., and that any investor who
23 invested before the public offering would become "very wealthy" after the public offering was
24 completed.

25 21. WALSH, JENSEN and PRECIADO failed to inform investors that the stock being
26 issued to them was not freely tradable and was subject to certain resale restrictions.

1 22. JENSEN and PRECIADO assured investors that WALSH had closed numerous
2 other similar transactions while taking approximately twenty (20) other companies public, and, in
3 so doing, had made a great deal of money for investors in those other transactions. JENSEN and
4 PRECIADO told investors that WALSH would do the same thing for any investors who chose to
5 invest.

6 23. JENSEN and PRECIADO further told investors that similar public offerings
7 previously facilitated by WALSH, JENSEN and PRECIADO had yielded an "average" return of
8 approximately two and a half times the investor's initial investment.

9 24. WALSH, JENSEN and PRECIADO told investors that a select group of people
10 were being offered the investment opportunity, that WALSH, JENSEN and PRECIADO
11 themselves were investors, and that, if investors did not act immediately, they would lose a
12 lucrative opportunity.

13 25. WALSH, JENSEN and PRECIADO assured investors that the public offering for
14 New York Networks, Inc. would be completed by December 2006.

15 26. In early 2007, investors participated in several informational conference calls that
16 were hosted by WALSH, JENSEN and/or PRECIADO. During the conference calls, investors
17 were provided several explanations for the delay in the public offering and were assured that the
18 acquisition of Mad Engine, Inc. and The New York Network, Inc., by New York Networks, Inc.,
19 would still occur and that the public offering of New York Networks, Inc. would still take place.

20 27. The proceeds from the sale of stock were not used to acquire Mad Engine or The
21 New York Network, Inc.

22 28. Neither Mad Engine, Inc. nor The New York Network, Inc. were acquired and the
23 public offering for New York Networks, Inc. was not completed.

24 29. WALSH, JENSEN and PRECIADO misrepresented to investors that New York
25 Networks, Inc. would acquire Mad Engine and The New York Network, Inc. and go public by
26 December 2006, increasing the value of common stock and warrants purchased by investors.

1 30. Funds received from investors were initially deposited into various accounts
2 including an account in the name of The New York Networks, Inc. Subsequently, the majority of
3 funds initially deposited into The New York Networks, Inc. account were transferred to an account
4 in the name of Wardley, Walsh, Wellesley and Co., L.L.C.

5 31. WALSH was the only signor on both The New York Networks, Inc. and Wardley,
6 Walsh, Wellesley and Co., L.L.C. accounts and was identified from information contained in bank
7 documents as the CEO and President of The New York Networks, Inc. and managing member of
8 Wardley, Walsh, Wellesley and Co., L.L.C.

9 32. Wardley, Walsh, Wellesley and Co., L.L.C. was formed in the state of Nevada and
10 its corporate status in Nevada has been revoked. Documents filed with the Nevada Secretary of
11 State identify WALSH as the manager of Wardley, Walsh, Wellesley and Co., L.L.C.

12 33. According to news releases and other promotional materials, WALSH is also the
13 Chairman and Managing Director of Wardley, Walsh, Wellesley and Company, Ltd., an entity
14 purported to be an international investment banking firm.

15 34. WALSH utilized investor funds for his own personal use and benefit including
16 making cash withdrawals, transfers to personal bank accounts controlled by WALSH and
17 LORENE WALSH, payments to credit card companies and to pay medical expenses.

18 35. As sales agents for New York Networks, Inc., WALSH, JENSEN and PRECIADO
19 were paid sales commissions for their sales of common stock and warrants to investors and
20 JENSEN, through Goldstake Enterprises, Inc., was issued 425,000 shares of common stock by
21 New York Networks, Inc.

22 36. WALSH, JENSEN and PRECIADO failed to disclose to prospective investors that
23 they were being compensated for their sales of common stock and warrants to investors.

24 37. At all times material hereto, New York Networks, Inc., The New York Network,
25 Inc., The New York Networks, Inc., WALSH, JENSEN and PRECIADO have not been registered
26 as dealers or securities salesman.

IV. VIOLATION OF A.R.S. § 44-1841

(Offer or Sale of Unregistered Securities)

38. Beginning as early as 2006, WALSH, JENSEN and PRECIADO offered or sold securities in the form of common stock and warrants.

39. The securities referred to above were not registered pursuant to Articles 6 or 7 of the Securities Act.

40. This conduct violates A.R.S. § 44-1841.

V. VIOLATION OF A.R.S. § 44-1842

(Transactions by Unregistered Dealers or Salesmen)

41. WALSH, JENSEN and PRECIADO offered or sold securities within or from Arizona while not registered as dealers or salesmen pursuant to Article 9 of the Securities Act.

42. This conduct violates A.R.S. § 44-1842.

VI. VIOLATION OF A.R.S. § 44-1991

(Fraud in Connection with the Offer or Sale of Securities)

43. In connection with the offer or sale of securities within or from Arizona, WALSH, JENSEN AND PRECIADO directly or indirectly: (i) employed a device, scheme, or artifice to defraud; (ii) made untrue statements of material fact or omitted to state material facts that were necessary in order to make the statements made not misleading in light of the circumstances under which they were made; or (iii) engaged in transactions, practices, or courses of business that operated or would operate as a fraud or deceit upon offerees and investors including, but not limited to, the following:

a) WALSH, JENSEN and PRECIADO misrepresented to investors that the proceeds from the sale of common stock and warrants would be used to acquire Mad Engine and The New York Network, Inc.;

1 b) WALSH, JENSEN and PRECIADO misrepresented to investors that New
2 York Networks, Inc. would go public by December 2006, increasing the value of common stock and
3 warrants issued to investors;

4 c) WALSH, JENSEN and PRECIADO failed to inform investors that the stock
5 being issued to them was not freely tradable and was subject to certain resale restrictions;

6 d) WALSH failed to disclose to investors that he was utilizing investor funds
7 for his own personal use and benefit.

8 44. This conduct violates A.R.S. § 44-1991.

9 **VII. REQUESTED RELIEF**

10 The Division requests that the Commission grant the following relief:

11 1. Order WALSH, JENSEN and PRECIADO to permanently cease and desist from
12 violating the Securities Act, pursuant to A.R.S. § 44-2032;

13 2. Order WALSH, JENSEN and PRECIADO to take affirmative action to correct the
14 conditions resulting from their acts, practices, or transactions, including a requirement to make
15 restitution pursuant to A.R.S. § 44-2032;

16 3. Order WALSH, JENSEN and PRECIADO to pay the state of Arizona administrative
17 penalties of up to five thousand dollars (\$5,000) for each violation of the Securities Act, pursuant to
18 A.R.S. § 44-2036;

19 4. Order that the marital communities of WALSH, JENSEN and PRECIADO and their
20 Spouses be subject to any order of restitution, rescission, administrative penalties, or other
21 appropriate affirmative action pursuant to A.R.S. § 25-215; and

22 5. Order any other relief that the Commission deems appropriate.

23 **VIII. HEARING OPPORTUNITY**

24 Each respondent including Respondent Spouses may request a hearing pursuant to A.R.S.
25 § 44-1972 and A.A.C. R14-4-306. **If a Respondent or a Respondent Spouse requests a hearing,**
26 **the requesting respondent must also answer this Notice.** A request for hearing must be in writing

1 and received by the Commission within 10 business days after service of this Notice of Opportunity
2 for Hearing. The requesting respondent must deliver or mail the request to Docket Control, Arizona
3 Corporation Commission, 1200 W. Washington, Phoenix, Arizona 85007. Filing instructions may
4 be obtained from Docket Control by calling (602) 542-3477 or on the Commission's Internet web
5 site at <http://www.azcc.gov/divisions/hearings/docket.asp>.

6 If a request for a hearing is timely made, the Commission shall schedule the hearing to begin
7 20 to 60 days from the receipt of the request unless otherwise provided by law, stipulated by the
8 parties, or ordered by the Commission. If a request for a hearing is not timely made the Commission
9 may, without a hearing, enter an order granting the relief requested by the Division in this Notice of
10 Opportunity for Hearing.

11 *Persons with a disability may request a reasonable accommodation such as a sign language*
12 *interpreter, as well as request this document in an alternative format, by contacting Shaylin A.*
13 *Bernal, ADA Coordinator, voice phone number 602/542-3931, e-mail sabernal@azcc.gov.*
14 *Requests should be made as early as possible to allow time to arrange the accommodation.*

15 **IX. ANSWER REQUIREMENT**

16 Pursuant to A.A.C. R14-4-305, if a Respondent or a Respondent Spouse requests a hearing,
17 the requesting respondent must deliver or mail an Answer to this Notice of Opportunity for
18 Hearing to Docket Control, Arizona Corporation Commission, 1200 W. Washington, Phoenix,
19 Arizona 85007, within 30 calendar days after the date of service of this Notice. Filing instructions
20 may be obtained from Docket Control by calling (602) 542-3477 or on the Commission's Internet
21 web site at <http://www.azcc.gov/divisions/hearings/docket.asp>.

22 Additionally, the answering respondent must serve the Answer upon the Division.
23 Pursuant to A.A.C. R14-4-303, service upon the Division may be made by mailing or by hand-
24 delivering a copy of the Answer to the Division at 1300 West Washington, 3rd Floor, Phoenix,
25 Arizona, 85007, addressed to William W. Black.

1 The Answer shall contain an admission or denial of each allegation in this Notice and the
2 original signature of the answering respondent or respondent's attorney. A statement of a lack of
3 sufficient knowledge or information shall be considered a denial of an allegation. An allegation
4 not denied shall be considered admitted.

5 When the answering respondent intends in good faith to deny only a part or a qualification
6 of an allegation, the respondent shall specify that part or qualification of the allegation and shall
7 admit the remainder. Respondent waives any affirmative defense not raised in the Answer.

8 The officer presiding over the hearing may grant relief from the requirement to file an
9 Answer for good cause shown.

10 Dated this 19 day of February, 2010.

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13 Matthew J. Neubert
14 Director of Securities
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